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SUBJECT: LEADING PRESIDENTIAL CANDIDATES SPEAK OUT AT
CHAMBER OF INDUSTRY FORUM

REF: A. GUATEMALA 1057

[1](#)B. GUATEMALA 858 AND PREVIOUS

Sensitive but unclassified. Please protect accordingly.

[1](#)1. (SBU) Summary: Guatemala's leading presidential candidates highlighted the key challenges facing Guatemala and outlined their economic plans during a June 6 public forum hosted by the Chamber of Industry. All five candidates stressed the need for macroeconomic stability and greater economic development to compete globally and to improve the standard of living for all Guatemalans, especially in the country's rural areas. They agreed on the need to improve the investment climate, attract domestic and foreign investment, increase productivity, reduce poverty, combat violence, promote tourism, and regulate the informal sector, but did not differentiate among themselves by articulating specific measures or funding sources to achieve their goals. End summary.

[1](#)2. (U) The five leading presidential candidates -- center-left Colom (UNE), right-wing Perez Molina (PP), center-right Giammattei (GANA), Nobel laureate Menchu (EG), and former evangelical pastor Caballeros (Viva) -- shared their visions of Guatemala's future and economic development at a June 6 forum hosted by the Guatemalan Chamber of Industry as part of its 12th Industrial Congress and 2007 InduExpo. In attendance were the Chamber's Board of Directors and members, cabinet ministers, members of Congress, members of the press and diplomatic corps, and representatives of international organizations. The candidates were each allotted nine minutes to present their platforms, followed by three minutes to respond to questions from the Chamber's Board of Directors and three minutes for closing remarks.

[1](#)3. (U) Rigoberta Menchu (EG), the first to speak, set the tone by noting that Guatemala is a country that has experienced much suffering and that economic stability will enhance political stability. She proposed a "social economy," stressing the need for greater economic development to guarantee social equality and a better life for all Guatemalans. Economic growth and development, however, must correspond to the reality of Guatemala, which she described as a "multi-lingual, multi-ethnic, pluralistic country," and provide opportunities for all sectors of the population. She outlined an economic plan focusing on control of inflation and respect for labor rights and the rule of law. She urged better access to credit and greater public and private investment, and pledged to control corruption to restore credibility to government institutions, and to bring an end to Guatemala's "discriminatory past" by initiating a new era

of confidence to guarantee "a prosperous future" for Guatemala and Central America.

¶4. (U) Harold Caballeros (Viva) echoed Menchu's platform, stressing the need to strengthen Guatemalan institutions, promote "zonas francas" (tax-exemption zones), reduce poverty and malnutrition in the country's interior, and ensure access to education, health, and credit, especially for commercial agricultural activities. He noted also the need to strengthen public-private partnership, develop the tourism industry, and invest in social capital, educating the population to ensure a more representative democracy. He urged Guatemala to take advantage of its four sources of capital: human, financial via exports, natural via tourism, and social via security, justice, and participation. He pointed out that it is the responsibility of the business sector, not the State, to generate new jobs but that the State must create the economic and social conditions for job creation and investment. He estimated that 74.5 percent of vendors operate in the informal sector.

¶5. (U) Front-runner Alvaro Colom (UNE) outlined a plan for macroeconomic stability by lowering inflation, strengthening the banking system, and increasing national productivity, with the aim of reaching 6 percent economic growth by 2011 and lowering inflation to less than 3 percent with no greater than 1 percent in fiscal deficit. He pledged to create 703,000 new jobs in the public and private sectors and to legalize the informal sector. He highlighted competitiveness as key to democratic efficiency and noted that insecurity is a problem that affects every sector of the population. Guatemala spends millions on private security, which takes away from productive investments, thus reducing Guatemala's competitiveness. It needs to establish clear rules for business, reform its tax system, and control security to be competitive.

¶6. (U) Retired army general Otto Perez Molina (PP) noted that more than 70 percent of the population live in rural areas in extreme poverty and that investment in health, education, and rural development would provide greater opportunities for the poor. In his view, private investment has not resulted in sustainable development due to two primary reasons: insecurity and the investment climate. Perez Molina, an advocate of hard-line ("mano dura") measures to combat crime, underscored the theme of security as the base for improving the investment climate and public confidence. He estimated that the cost of violence is 7.5 percent of GDP, compared to 3 percent in neighboring countries. He noted that in 2006 foreign direct investment (FDI) totalled approximately USD 325 million, with Guatemala ranking 75 out of 125 countries for competitiveness (2005 World Economic Forum global competitiveness index), and that Guatemala needs to attract more FDI for its economic growth. He promised to guarantee security to increase investment and to provide Guatemalans better economic opportunities.

¶7. (U) Alejandro Giammattei of the governing party (GANA) described Guatemala as a poor country with lack of opportunities and focused on the need for a national policy of industrialization for sustainable development and clear rules for investment. He envisioned a better investment climate through promotion of the rule of law, elimination of corruption and organized crime, protection of labor rights in the informal sector, access to micro-credit, and improvement in infrastructure. He emphasized the importance of creating incentives to generate jobs, developing non-traditional products for export, and promoting clean energy, tourism, and rural development. He expressed concern over the growing informal economy, asserting that the government needs to address the unregulated movement of goods across Guatemala's border with Mexico and use the military to control contraband activity and IPR violations.

¶8. (SBU) The second round of the forum required the candidates to respond to follow-up questions from the Chamber's Board members. The questions posed by the Board

were directed at each candidate's economic plan. The responses were vague, often a repetition of the candidate's opening remarks. Additionally, most of the candidates circumvented the questions entirely. When the moderator asked Menchu about her agrarian reform policy and whether or not she planned to expropriate land, she responded only that her proposal was not about expropriation but about legalizing irregularities in land titles; she did not provide any details about how she would accomplish her goals. She affirmed that the indigenous do not oppose globalization or mining as long as all sectors of the population benefit.

19. (SBU) Comment: The electoral season continues to be characterized by indifference and apathy with many Guatemalans lacking confidence in the government to resolve the country's problems. This joint public appearance of the leading candidates drew a disappointed reaction from those in attendance who had hoped to hear more specifics. The forum was marked by non-differentiated thematic positions, strong on rhetoric and aspiration but weak on specifics for addressing Guatemala's ills. While Caballeros and Colom provided more details about their plans than the other candidates, none of the five candidates elaborated specific strategies or focused on the financial resources they would need to implement their proposals should they win the elections. There was no clear victor; however, Perez Molina and Caballeros, who appeared the most confident and articulate, gave a strong showing, while apparent front-runner Colom (Ref A) turned in a relatively lackluster performance. Menchu spoke about the "other Guatemala" -- the marginalized indigenous and poor -- which she claims to represent but seemed to lack vision for bridging the gap between the two Guatemalas in a globalized society.

Derham